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Inland empire: economics imperialism as an imperative of Chicago neoliberalism

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Recent work such as Steven Levitt's *Freakonomics* has prompted economic methodologists to reevaluate the state of relations between economics and its neighboring disciplines. Although this emerging literature on "economics imperialism" has its merits, its judgments have been remarkably divergent: some have argued economics imperialism is a fiction, others that it is a fact attributable to the triumph of neoclassical economics, and yet others that the era of economics imperialism is over. We believe the confusion results in part from a lack of historical understanding about the nature and aims of economics imperialists. We seek to improve historical understanding by focusing on the activities of a cadre of economists at the epicenter of economics imperialism, the University of Chicago. These activities—led, in the first instance, by Aaron Director and, in the second, by George Stigler—stemmed from the effort to forge a new liberalism or a "neoliberalism." We then consider Steven Levitt's *Freakonomics* in light of the insights gained from our historical study. Our analysis leads us to question each of the three positions on economics imperialism held by economic methodologists.

Keywords: economics imperialism; Chicago school of economics; neoliberalism; Freakonomics

[Figure 1 here]

Figure 1: Poster announcing George Stigler's lecture at Wabash College[i]

1. Introduction

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The topic of economics imperialism has recently caught fire within the field of economic methodology. One can point to several reasons for the emergence of a new discussion about economics imperialism: a rather triumphalist piece praising economics imperialism within the *QJE* (Lazear 2000), the recent fascination of methodologists with new forms of disciplinary boundary crossing such as neuroeconomics and economic psychology, the establishment of Uskali Mäki's Trends and Tensions in Intellectual Integration [TINT] program, and the fanfare surrounding new books by an economist claiming to have found the "hidden side of everything" (Levitt and Dubner 2006, 2009). [ii]

It is instructive lingering a bit on the reception of *Freakonomics* by methodologists, because it can provide perspective on the state of discussion concerning economics and its neighbors. To some methodologists, *Freakonomics* appeared as a bellwether for a new form of interdisciplinary economics. To others, it was unclear how *Freakonomics* influenced the relationship between economics and contiguous disciplines. In the debate among methodologists about the significance of *Freakonomics*, Ben Fine and Dimitris Milonakis (2009, p. 9) launched the opening salvo. They argued that "mainstream economics has readdressed the social, allowing it to appear more attractive to the other social sciences," but warned that Levitt's *Freakonomics*, along with other recent developments, actually amounted to a new stage of economics imperialism, which, if not resisted, would result in economists lording over the other social sciences with methodological individualism, utility maximization, equilibrium, and efficiency as their lodestars (p. 145). In objecting to Fine and Milonakis's characterization of Levitt (and other economists), Vromen (2009) argues that Levitt (along with other scholars he classifies as contributing to the "economics-is-fun" genre) wants only to "enlighten the general public about the hidden economic side of everyday phenomena" (p. 74) and to improve the public image of a discipline still viewed by many as the "dismal science." In addition to his speculation on the intent of Levitt and others, Vromen provides both a meditation on the terms "invading," "conquering," "exploitation," and "appropriation," and an observation on the state of present-day economics, which, without doing too much violence, might be summed up as: with the advent of "neuroeconomics" (the field singled out by Vromen), "economic psychology," and "behavioral economics," when "concepts and insights developed in other social sciences have started to find their way into economics" (p. 96), don't discussions of economics imperialism seem a little passé?

Modern day economics, according to Vromen, offers a language that facilitates communication between economics and other sciences: the beliefs that "people respond to incentives" and that the "cost-benefit principle" is useful in many different applications (p. 91) are flexible enough to accommodate and thereby to bring rival views about human behavior into conversation. Consequently, Vromen suggests abandoning the term "economics imperialism."

Contrasting Fine and Milonakis' understanding of the significance of *Freaknomics* with that of Vromen is instructive. Unlike Fine and Milonakis, Vromen has a problem with the common usage of the term "economics imperialism"—even when applied to economists like Gary Becker. According to Vromen (p. 82), "There is no clear evidence that [economics imperialism's] protagonists made sustained efforts to promote the spread of economic analyses into other social sciences"; Becker and other "alleged economics imperialists" engaged only in gaining acceptance of the study of nontraditional topic *within* economics. For Vromen the resort to the language of economics imperialism serves mostly to distract attention from the significant problems that might beset these approaches.

Because Vromen is a well-respected authority on the interactions between the fields of biology and economics[iii], we are advised to take Vromen's observations on relations between the disciplines very seriously and heed Vromen's claim that the term "economics imperialism" is misleading as well as unnecessary. But one inconvenient fact prevents us from retiring the term "economics imperialism": economists have a long history of self-referentially using this term. Examples range from Gordon Tullock's decision to give his (1972) article (in which he calls for the "invasion" and "reorganization" of the other social sciences) the name "Economic Imperialism" to Jack Hirshleifer's (1985, p. 53) celebration of "the imperialist expansion of economics into the traditional domains of sociology, political science, anthropology, law, and social biology" to the participation of Tullock and Hirshleifer, along with Henry Manne and several others, in putting together *Economic Imperialism: The Economic Method Applied Outside the Field of Economics* (Radnitzky and Bernholz 1987). Moreover, George Stigler observed: "So economics is an imperial science: it has been aggressive in addressing central problems in a considerable number of neighboring social disciplines and without any invitations" (1984, p. 311). Given these numerous instances of

economists using the term "economics imperialism," it is no surprise that Uskali Mäki (2009, p. 351) has observed: "'imperialism' in the case of economics imperialism…has been proudly adopted by the imperialists themselves with the purpose of celebrating it."

So, who is right? Fine and Milonakis see economics imperialism as fact while Vromen sees it as fiction. While Vromen's argument for rejecting the term does at first appear persuasive, the fact remains that economists self-referentially use the term (and, as Mäki points out, do so *proudly*). While it is conceivable that these self-identified imperialists have not entirely thought through their usage (a position that is lent a bit of support by their use of "economic imperialism" instead of "economics imperialism" to describe their own work), or that they are showing a lack of respect for other disciplinary groups, it seems reasonable to explore whether there is something apart from sloppy thinking or a preference for the rigor of the "economist's method" over, say, "imprecision" (or, more neutrally, a reflexive preference for the familiar over and against the other) that motivates their calls for "expeditionary forces," "invasion," and "hegemony." Put differently: What, precisely, has motivated so many well-respected economists to resort to bellicose language? Understanding this will help evaluate the appropriateness of the term "economics imperialism," thereby sheding light on the debate among methodologists over the existence and significance of economics imperialism.

While arriving at final judgments about economics imperialism also requires knowledge of the effects of the activities under question, it is important to note that methodologists have often referred to the presumed intentions of those undertaking these activities in supporting their judgments about them. There seems to be little agreement among methodologists about what motivated these economists. The range of portrayals by methodologists includes economists as seekers of "virgin terrain," prestige for the discipline, acceptance of unorthodox topics as acceptable areas of study by their colleagues, unification of method across the social sciences, and enlightenment for the general public. We believe that the coexistence of such variegated accounts of imperialists' intentions stems from the fact that those assessing the motivations of economics imperialists exclusively rely on secondary sources and interviews and entirely ignore archival sources.

In pointing out the desirability of using historical evidence to better understand economics imperialism, we heed John Davis's (2012, pp. 209-212) call to "apply history

to philosophy." Davis employs this method to advance an intermediate position between Vromen's and Fine and Milonakis's, leaving three distinct positions:

> (1) Economics imperialism is a fiction. "There is no clear evidence that [economics imperialism's] protagonists made sustained efforts to promote the spread of economic analyses into other social sciences"; Becker and other "alleged economics imperialists" engaged only in gaining acceptance of the study of nontraditional topic *within* economics (Vromen 2009, p. 82).
>
> (2) Economics imperialism is a fact, at least since the advent of neoclassical economics. Neoclassical economics has always been naturally oriented by its "historical logic" toward "outward expansion;" *Freakonomics* is only the most recent stage in this century long endeavor (Fine and Milonakis 2009, pp. 6, 26).
>
> (3) Economics imperialism is a fact, but it no longer predominates as a method of interacting with other disciplines. There have been "many transformative effects that other disciplines have had on economics since the 1980s…a whole new set of research programs within economics…bear the imprint of these other disciplines" (Davis 2012, p. 204).[iv]

Davis supports Vromen's position that recent developments in economics have facilitated communication between economics and other disciplines, and denies Vromen's judgment that economists have never held imperial designs on other disciplines.[v] Moreover, Davis suggests that the interaction between economics and other disciplines in recent years should be described mainly as cross-fertilization, at least when considering the disciplines as a whole.

Our research complements Davis's work: whereas Davis heeds his own call for applying history to methodology by providing historical and methodological explications of recent developments in economics (e.g., behavioral economics, experimental economics, neuroeconomics), our paper uses archival sources to reconsider the intentions of a previous generation of scholars. As we will see, considering this earlier work has repercussions not only for whether one judges economics imperialism to be a fact or a fiction, but also for Davis's intermediate position.

Below we concentrate on the activities undertaken at the University of Chicago, the historical epicenter of economics imperialism. In sections two and three, we argue that understanding the intentions of Chicago imperialists must take into account that the imperialistic activities undertaken—led, in the first instance by Aaron Director and, in the

second, by George Stigler—stemmed from the effort to forge a new liberalism or a "neoliberalism."[vi] In section four, we consider the "freakonomics" of Steven Levitt, in light of the insights developed from our historical study of Chicago imperialism. Our analysis leads us to question each of the three positions on economics imperialism held by economic methodologists.

2. The genesis of the Chicago imperial imperative

To appreciate the intentions of the Chicago imperialists, it is necessary to briefly consider the rise of Chicago neoliberalism, beginning with F. A. Hayek, a figure who is typically only tangentially associated with the rise of the postwar Chicago School. As the second author has argued elsewhere, Hayek not only laid essential institutional foundations for the development of the postwar Chicago School (Van Horn and Mirowski 2009), but he also influenced its initial intellectual trajectory in the late 1940s through his disciple Aaron Director (Van Horn 2013 forthcoming). Understanding Hayek's influence on the rise of the Chicago School in the immediate post-WWII period and his relationship with Director at this time will allow us to comprehend how Director's work at Chicago from 1946 through the mid 1950s was at least in part motivated by his desire to countervail collectivism.

In 1945, Hayek went on a lecture tour in the United States to promote *The Road to Serfdom*.[vii] After Hayek gave a lecture in Detroit, Loren Miller made arrangements for Harold Luhnow, the President of the well-endowed Volker Fund, to meet Hayek. An anti-New Deal conservative, Luhnow sought to support the rethinking of liberal politics in the United States. When they met, Luhnow asked Hayek to write a *Road to Serfdom* for an American audience and said that the Volker Fund would finance this endeavor. Hayek made a counteroffer: A study of the legal framework necessary for effective competition.

Hayek considered his counteroffer to be of the greatest importance. Hayek, who positioned himself as a passionate opponent of laissez-faire liberalism in *The Road to Serfdom*, championed the creation of an institutional framework, or what Hayek later called a "competitive order," so that effective competition would flourish. Hayek claimed that no on had ever conducted an in-depth study of the competitive order and attributed the failure of 19th century liberalism to the fact that liberals failed to go beyond

the principle of laissez-faire liberalism and plan the legal foundations of competition. Hayek suggested that the task for the future would be to succeed where 19th century liberals failed: 20th century liberals would need to thoroughly investigate and understand the competitive order.

Thus, when Hayek made his counteroffer to Luhnow, he hoped that the Volker Fund would provide the means to enable the building of a reinvigorated liberalism, i.e., a "neoliberalism." Hayek and Luhnow reached the following agreement: A three-year, American-based study of the conditions necessary for an effective competitive system needed to be organized, and that a product of this study, *The American Road to Serfdom*, would be used to influence American political opinion. Luhnow also agreed to Hayek's desire to outsource the study to a group of American economists.

When the efforts to organize the study got underway, Hayek eventually decided that the University of Chicago was the ideal location—this was partly due to the fact that Henry Simons, a friend and colleague of Hayek, would be able to help set up the project.[viii] Besides Simons, Director—who was at this time working in Washington, D.C.—also helped organize the "Hayek Project," as Director and other principals involved in the study's organization called it.[ix]

The fact that Director aided Hayek in organizing his project is not at all surprising. When Hayek came to the United States for his book tour, he had Director to thank for setting in motion the events that led to his popular *Road* tour and finding a publisher for *Road*. Moreover, Director helped publicize *Road* through his laudatory review in the *American Economic Review* (Director 1945). As his review makes clear, Director fully endorsed Hayek's vision in *Road*, including the need to study and promote the competitive order.[x]

Thanks to the persistent efforts of Hayek, the Hayek Project eventually came to fruition in the late summer of 1946.[xi] Named after Director's outline, the Hayek Project became know as the "Free Market Study." In the spirit of *Road*, Director's outline listed a number of legal and policy areas to investigate in order to move toward a competitive order; these areas included antitrust law, corporate policy, tax policy, and patent law.

Once the Free Market Study got underway in the fall of 1946, its members—which included Milton Friedman (Economics Department) and Edward Levi (Law School)—convened regularly in order to debate how to reconstitute liberalism and create

a competitive order. The Study's members approached their task with a sense of urgency because of the perceived strength of collectivist forces.

For the second meeting of the FMS, Director wrote a proposal entitled: "A Program of Factual Research into Questions Basic to the Formulation of a Liberal Economic Policy." By empirically investigating the facts taken for granted by both liberals and collectivists, Director sought to develop a more robust liberal policy to counter collectivism and thereby reorient policy in the United States. Indeed, in a *New York Times* interview, Director indicated that one criterion for assessing the success of the FMS was its ability to exert political pressure in order to engender policy change.[xii]

Director echoed his call for a reconstituted liberalism and a reconfigured policy approach in his 1947 Mont Pelerin Society (MPS) address.[xiii] Director delivered a talk on the topic of "'Free' Enterprise or Competitive Order." In the spirit of classical liberalism, his address broadly outlined the necessary steps to create a competitive order, including curtailing corporate power, preventing industrial monopoly, curbing labor power, and mitigating income inequality. Director viewed these steps as essential to combat collectivist forces, especially pernicious collectivist ideas and policies. Notably, Director framed his plan for a competitive order as an attempt to reconstitute liberalism, which would then provide the crucial intellectual countervailing force to collectivism.[xiv]

When echoing the classical liberal tradition, Director gave voice to one of his teachers, Jacob Viner—a pillar of Chicago economics in the 1930s.[xv] There were, however, crucial differences between Director and Viner. Viner did not view his academic work as compatible with political concerns.[xvi] He believed academics should distance themselves from public debate and uphold the principle of academic objectivity. Viner refused to advocate a particular policy approach in public lectures or popular publications, to join intellectual movements that sought to advance long-run political objectives, or to participate in organizations with a political agenda. Indeed, in 1947, Viner declined Hayek's invitation to join the MPS.[xvii] Therefore, when considering the imperialistic activities of Director below, it important to bear in mind that Director's organized efforts to reconstitute liberalism to countervail collectivism and thereby exert political pressure departed from the tradition of Chicago economics of the 1930s.

After the 1947 MPS meeting, the work of the FMS proceeded apace. The FMS undertook some empirical studies. One such study was Warren Nutter's evaluation of the

extent of industrial monopoly in the United States (Nutter 1951). Nutter argued that there had been no significant increase in business monopoly since 1900. Director noted that Nutter's finding challenged the collectivist claim that efficiency of large scale industry would inevitably give rise to more and more business monopoly, thereby resulting in less and less competition and necessitating socialist economic planning. Since collectivists hinged their argument on the premise that industrial monopoly had been significantly increasing and since, as Director pointed out, widespread belief in the inevitability thesis gave rise to collectivist policies (1951b, p. v), Nutter's investigation dealt a blow to collectivism.

Other developments of the FMS also sought to undermine collectivism. From 1950 to 1952, Director and other members of the FMS sharply departed from the classical liberal concern about the negative implications concentrations of business power.[xviii] In 1950, Director and Friedman maintained that industrial monopoly should no longer seen as a relatively powerful, ubiquitous phenomenon in the United States, but rather as a relatively benign, un-pervasive force (Director 1950). As Director emphasized, the "corrosive effects" of competition would always and eventually undermine industrial monopoly. In 1951, Director claimed that large corporations no longer should be considered a threat to competition because of their concentrated power, but should be considered another feature of a competitive market since corporations approximated the impersonal ideal of the market (Director 1951a). In short, the FMS came to maintain that concentrated markets tended to be efficient. Like Nutter's study, this conclusion countervailed the collectivist concern that the inevitable growth of industrial monopoly was overwhelming competitive forces and that therefore increased government control was necessary.

In sum, because of its determination to reconstitute liberalism in order to attack collectivism and because of its departure from the classical liberal opposition to concentrations of business power, the FMS served as an incubator for a new form of liberalism, "Chicago neoliberalism." In doing so, the work of the FMS set the stage for its sister project, the Antitrust Project, which began in 1952 as the FMS wound down. Director headed the Volker-funded Antitrust Project and Edward Levi (then Dean of the Chicago Law School) assisted with it. Other members included later luminaries of Chicago law and economics, such as Robert Bork and Ward Bowman. This Project, like

the FMS, focused on the issue of industrial monopoly, but it also focused on select areas of antitrust law.[xix]

Like the FMS, the Antitrust Project should also be viewed as an attempt to oppose collectivism. First, the Antitrust Project continued the mission of the FMS—that is, to create and advocate the competitive order. Second, during the time of the Antitrust Project, Director emphasized the importance of countering collectivism.[xx] Third, the Chicago neoliberal conclusions of the FMS—particularly those concerning concentrations of business power—influenced the conclusions of the Antitrust Project.[xxi] For these three reasons, the Antitrust Project represented much more than simply the application of Chicago price theory to areas of antitrust law.

Once we acknowledge that the Antitrust Project sought to countervail collectivism, it is then possible to appreciate some of its imperialistic dimensions. Its members not only challenged the conventional wisdom of the legal profession, but they also organized conferences that exposed their views to non-economists.

The Antitrust Project attacked the conventional wisdom of the legal profession in a number of ways—too many to summarize here and hence it is necessary to look at a sample. First, Bork claimed that vertical mergers did not enhance monopoly power. He therefore suggested that vertical mergers should always be legal. Consequently, Bork implied that one aspect of antitrust law precedent, requiring an investigation of the motives of a vertical merger in order to make a determination of its legality, was erroneous. Second, Ward Bowman maintained that the conventional legal wisdom—as represented by the *Report of the Attorney General's National Committee to Study the Antitrust Laws* (1954)—grossly exaggerated the effects of a tying arrangement.[xxii] The *Report* deemed the purpose of such arrangements to be monopolistic exploitation. In contrast, Bowman suggested that in most cases a tying contact was merely be a means of effectively utilizing monopoly power that was already possessed, not a means of extending it.

Toward the end of the FMS and during the Antitrust Project, Director and Levi organized conferences. For example, in June of 1953, they organized a ten-day, Volker-funded "Antitrust Seminar" at which many of the Antitrust Project members presented. Those in attendance included law professors, partners of law firms, and business leaders. Director and Levi also put together relatively smaller conferences. In 1951, Director, for

example, presented the Chicago neoliberal position on corporations at "The Conference on Corporation Law and Finance." Like the "Antitrust Seminar," legal professionals, including lawyers from Chicago law firms, were in attendance.

Looking at these conferences in light of the rise of Chicago neoliberalism is instructive. During the early 1950s, Director viewed collectivism as a real and dangerous threat; like Hayek, he believed that pernicious government intervention would eventually lead to totalitarianism. Director saw arguments that portrayed the harmless actions of businesses as illegal to be deleterious because they supported government intervention that undermined the competitive order, leading to more collectivist policies. Consequently, the positions of the legal profession—be it the courts, government agencies, or law professors—needed to be countervailed with scholarship that embodied a robust, reconstituted liberalism.[xxiii]

It is also important to acknowledge that the Antitrust Project served to train and educate the next generation of Chicago neoliberals. Director, with the support of Levi and private funding, educated the first generation of Chicago neoliberal lawyers, including Ward Bowman and Robert Bork, who would be at the vanguard of the Chicago law and economics movement in the 1960s and 1970s. Not only did they publish in the spirit of Director's teaching, but since they acquired jobs in other law schools, they also obtained the financial resources that would have otherwise went to a traditionally educated law professor. In the case of Bork and Bowman, they both found positions at the Yale Law School. While at Yale, Bork and Bowmen played a crucial role in the Chicago law and economics movement in the 1960s and 1970s. Along with Richard Posner and other Chicago lawyer-economists, they helped Chicago law and economics become one of the dominant schools of jurisprudence in the 1980s.[xxiv]

While the work of the Antitrust Project shares some superficial similarities to work on antitrust law completed at Chicago prior to 1946, there are key differences. First, the Antitrust Project was consciously organized. Before 1946, economists and law professors at Chicago had not undertaken the work on antitrust law as part of a project. Second, the Antitrust Project extensively trained non-economists (as well as economists) in economic thinking and these non-economists obtained positions in other law schools, where they conducted research in the spirit of the Antitrust Project. No such extensive training of non-economists occurred prior to 1946 and, therefore, Chicago scholars

exerted no direct influence on legal studies at other schools. Third, the desire to countervail collectivism provided a central motivating factor for the work on antitrust law at Chicago, leading the publication of a number of journal articles, most of which were in law journals and many of which forcefully attacked the conventional wisdom of antitrust law. Prior to 1946 no such concentrated assault on the conventional wisdom of law by economists and law professors at Chicago occurred.

In light of the preceding history of the rise of Chicago neoliberalism in the 1950s, it is possible to appreciate a couple of heretofore-overlooked characteristics of Chicago imperialism. First, Chicago imperialists attempted to shape other disciplines—law in this case—as well as exert political pressures to influence policy. In doing so, Director substantially departed from the tradition of Chicago economics of the 1930s as represented by Viner. Second, it is inaccurate to solely understand the activities of the Antitrust Project in view of a single "core" theory, such a Chicago price theory.[xxv] Director sought to counter the conventional legal wisdom when it supported the growth of collectivism. Third, the central rationale motivating imperialistic activities was not to improve the standing of the economics discipline, but to change attitudes of economists - and non-economists and ultimately influence state policy. Notably, it is only through an investigation of the archival record that this motivation comes into focus. Without examining the archival record, one could plausibly argue that Director simply applied price theory to the law to improve the standing of the economics discipline and that cross-fertilization without any intent of colonization occurred given Director and Levi's collaboration.

3. Stigler and the governmental control of economic life

One might reasonably wonder whether an imperialistic relation with other disciplines was an attribute of Chicago neoliberalism, or just an approach specific to the single figure of Aaron Director and some of his acolytes. This section is designed in part to counter that suspicion by examining the approach of George Stigler. Although often regarded as a primary architect of the postwar Chicago School of Economics, Stigler also played a crucial institution building role at Chicago, a point argued by one of us elsewhere (Nik-Khah 2011a). Like Director, Stigler's work was in part motivated by a desire to counter collectivism.

Upon his arrival at Chicago in 1958, Stigler was already viewed as a leading member of the Chicago School. He had been associated with the School through his friendships with Friedman, Allen Wallis and Director, and Chicago economists were quite familiar with his existing body of his work. Importantly, Stigler's stature at Chicago was bolstered by the Walgreen Foundation, which had been established by a grant from the drugstore magnate Charles Walgreen and was placed under Stigler's control by Wallis (now dean of Chicago's Graduate School of Business). Shortly thereafter, Stigler announced his intention to devote the Walgreen resources to a study of the "causes and effects of governmental control over economic life."[xxvi] He hired a full-time research assistant (Claire Friedland), established the famous Industrial Organization Workshop, and funded research he deemed relevant to the study of governmental control. Stigler himself contributed studies of the regulation of electricity and securities and of the enforcement of antitrust laws (Stigler and Friedland 1962; Stigler 1964, 1966), and financed through Walgreen several others. Stigler motivated the "governmental control" project by appealing the need to counteract collectivism:

> …the most fundamental issue posed by the increasing direction of economic life by the state [is] the preservation of the individual's liberty…If it can be shown that in important areas of economic life substantial and unnecessary invasions of personal freedom are already operative, the case for caution and restraint in invoking new political controls will acquire content and conviction (1975, pp. 5-18).

Stigler used his Walgreen funds to recruit to Chicago a handful of leading economists (Gary Becker from Columbia University, Sam Peltzman from UCLA, Robert Lucas from Carnegie) and to finance short stays for other economists sympathetic to his efforts. Stigler's efforts set the tone at Chicago, not only through his published work, but also through his ability to shape the composition of the faculty and to finance their work on "governmental control."

By the early 1970s, Stigler had begun to envision a project that would engage in the "close, objective study of the role of government in economic life." In addition to the Walgreen Foundation, the key institution for developing and promulgating these studies would be the Center for the Study of the Economy and the State (CSES), which Stigler founded in 1977 with an initial roster that included Becker, Richard Posner, Peltzman,

Peter Linneman, and George Borjas (Stigler assumed the directorship). Since its founding the CSES has produced well over 200 papers.

One finds representative products of Stigler's project in the volume *Chicago Studies in Political Economy* (1988), which collected some of the most celebrated pieces from this self-described "Chicago" approach to the study of politics. The scope is vast: topics range from the uses of primitive "law" as an instrument for wealth maximization to an evaluation of the efficacy of mattress flammability standards, with digressions to consider such questions as the circumstances under which monarchy is more "efficient" than democracy.

A handful of features of this volume are worth noting. First, the book was conceived as part of an imperialistic endeavor: "The extension of economic analysis to include important areas of political phenomena is the subject matter of this book" (Stigler 1988, p. ix).[xxvii] Second, this was a "Chicago-style" book. Nearly every one of the contributors was employed at Chicago at the time of its publication, previously employed there, or trained there. And the contributions were united by a certain style: Stigler referred explicitly to these contributors as the "Chicago students of regulation," and distinguished their views from those of "political scientists and economists at large" (pp. xv-xvi). The orientation of these studies was entirely consistent with the CSES mission, which calls for subjecting government institutions, policies and regulations affecting the private economy to a "Chicago-style" analysis, defined by a "deep appreciation of the role of private markets in improving human welfare" (Stigler Center 2009).

Yet, this was more specifically a "Stiglerian" volume[xxviii]: the research produced by Stigler's "governmental control" project deviated from that of the previous generation of Chicago scholars. As Stigler noted elsewhere (1983, p. 529), providing economic explanations of politics marked a profound break with the approach of his teacher Frank Knight, who was deeply skeptical of discovering the principles governing political life. Not only did Stigler call for the exploration of a new subject matter, he also called for new methods to do so: "it is reasonably certain that new theories and new methods will be required to unravel some of the major problems we have encountered [in understanding public regulation]" (1988, p. xvii). And as noted above, whereas Viner refused to participate in political discussions, Stigler's research was produced to counter collectivism. While published contributions are a bit short in programmatic statements,

one can find such statements in unpublished documents. In a 1971 memo, Stigler laid out his rationale for researching governmental control:

> It would be absurd to say that this area is neglected, but most of the writings are either purely descriptive or highly propagandistic… We legislate and administer primarily with the guidance of hope and blithely write off past failures and perversions of public control as the product of inferior men or inadequate resources. Yet it is probably true, to give just one example, that the democratic political process simply cannot cope with decisions which must be made quickly. Unless we can determine the capacities of the political process, political "reforms" must often be futile or positively harmful.[xxix]

According to Stigler, the problem with existing studies of the government was that their lack of objectivity lent those studies an unrealistic view of the capacities of democracy, and thereby produced poor legislative and administrative decision-making. Stigler was especially contemptuous of the idea that problems in regulation stemmed from underfunding or corruption. He viewed these positions as motivated by the belief that regulation was sought for the public interest, whereas Stigler was intent on persuading that such problems were *endemic* to regulation. Stigler proposed "close, objective" studies to replace these "descriptive" and "propagandistic" studies.

And who were the authors of these descriptive and propagandistic studies?

> "Let us be candid: economists are beginning to apply their logic and analytical apparatus to the political process, and with luck will conquer much of political science!"; "It is essentially and exclusively a scientific work, and is intended to work its effects upon the appropriate disciplines (economics and political science) than directly on public opinion. The work will often shatter the fond hopes of the scholarly professions."

Stigler believed that political scientists, along with economists, were the main culprits. Stigler's project carried a rationale for imperialism similar to that of Director's project: Stigler believed that the theories of political scientists and economists needed to be countervailed with a reconstituted liberalism, and that one needed to advance on other disciplines to do so.

Viewing the project on government control as concerned primarily with countervailing collectivism helps one to appreciate the extent to which the different elements of the "governmental control" project cohered. Stigler's Research Institute

memo called for two types of studies to impact political science and economics: "1. Studies of the effects of past economic policies—to reduce unemployment, to stabilize prices, to control public utilities, to protect consumers and investors, etc. 2. Studies to develop and test hypotheses on the nature of the political process as it works in the economic scene." Although only the second type of studies corresponds to the sort one often has in mind when thinking of economics imperialism—the development and application of an economic logic to address phenomena outside the traditional domain of economics—Stigler regarded the first set of studies as a crucial element of the same project. In a paper written at almost precisely the same time he was creating the CSES, Stigler clarified the relationship between the two:

> Until we understand why our society adopts its policies, we will be poorly equipped to give useful advice on how to change these policies… Of course we shall not, and need not, abandon all policy advising until we have unraveled all the mysteries of the political-regulatory process. The very measure of costs and benefits of a policy will influence opinion and policy (1975, p. xi).

The nature of the "influence" Stigler sought here differed from that resulting from employing economic theories of political institutions. Stigler's early studies tended to argue that regulation had no effect on economic performance. But he dispensed with this position, and instead encouraged the development of techniques for auditing and guiding, and thereby controlling, administrative bodies:

> An efficient enforcement system, therefore, requires intelligent guides to the regulators, telling them which things are good and also important, which good but unimportant, and which positively harmful. In too many cases, the system of values, or incentives, is now badly skewed. (Stigler 1973, pp. 13-14).

> The appraisal of the achievements of a regulatory body is not impossible: a whole series of such appraisals is gradually developing an arsenal of techniques for measurement. I may cite…a large number of economic studies, many of which have appeared in the Journal of Law and Economics. It would at least be a minor improvement of our world if once a decade each major regulator was reviewed by a committee appointed by the appropriate scientific body, with funds and subpoena powers provided by the OMB (p. 16)

Naturally, the *Chicago Studies* volume included a large helping of work in the *Journal of Law and Economics*. The most important upshot of this and related work was not in

providing a specific set of results about the effectiveness of regulation, but in developing techniques of redirecting state policy. Regulation would no longer be portrayed as inevitably bad or inefficacious, but *improvable*.

To understand how this improvement would take place, it is helpful to peruse Stigler's favorite example, Sam Peltzman's critical examination of the FDA (Peltzman 1973).[xxx] His primary complaint about the FDA was that while it was supposed to have reduced the costs of producing information about drugs (by substituting FDA sanctioned information for drug company advertisements and doctors' experience with medicines), it had actually decreased the value of information available to consumers: FDA restrictions on pharmaceutical companies' claims would decrease the amount of information on non-sanctioned uses of drugs, while any reduction in marketing for a drug of a particular brand would reduce information about the drug type in general. Peltzman then connected the decrease in information to social welfare by attributing a decline in the demand for new drugs to the decrease in information, and therefore a decrease in the consumer surplus associated with consuming drugs. In this study the intended target was *clinical science*. Peltzman never actually engaged clinical science (a fact that was not lost on those clinical scientists who read Peltzman's piece); instead, Peltzman attempted to undermine the entire enterprise of using clinical science to guide regulation, and thereby to displace one set of goals (efficacy) with another set (consumer surplus, or in other cases, "innovation") (Nik-Khah 2012). This tactic of introducing auditing techniques to displace the set of goals introduced by scientific studies was employed in addressing topics ranging from drug efficacy to mattress flammability to environmental harm.

Stigler' approach to regulation was a relatively straightforward consequence of his beliefs about how the public formed its views about markets. Like Director, Stigler believed that most people held incorrect views about markets and the government. Stigler believed that these anti-market views reflected a widespread instinctual revulsion to markets that was immune to reasoned reflection: "I cannot believe that any amount of economic training would wholly eliminate the instinctive dislike for a system of organizing economic life through the search for profits" (1963, p. 95); "the best econ[omics] in the US is not the one the public would elect."[xxxi] When it came to evaluating markets, Stigler saw little difference between academicians and the laity: he believed the instincts of political scientists, clinical scientists, and (most) economists

would lead them astray as well. Therefore, Stigler concluded, it was necessary to displace or somehow marginalize these rival academic views.

The history of Stigler's imperialistic program amplifies a number of points raised by the analysis of Director's project. First, as with Director's project, Stigler sought to influence the policy approach of the state by shaping other disciplines and displacing rival views. Second, Stigler's program to study "governmental control" constituted a new and distinct approach, rather than mere application of a core Chicago approach to a new domain. It relied on conceptualizing politics and information as subject to the market, in direct contradiction to the views held by his teacher Frank Knight. Third, Stigler did not primarily intend to improve the status of economics in the public eye. He did not hold out a great deal of hope that economics would convince the public to change its mind about anything; nor did Stigler seek to improve knowledge about government, law, and other noneconomic spheres of social life because they had become progressively more enmeshed with economic life, and therefore as a means to better understand the economic system.[xxxii] Instead, Stigler sought to "shatter the fond hopes" of scholars holding public interest theories of regulation, and to insulate regulatory bodies from the views of those he could not convince. Crucially, Stigler's motives for calling for an economics of politics and performance audits of government regulation would remain unapparent without considering archival evidence. Without examining the archival record, one could easily mistake Stigler's call for "new theories and methods" in studying politics for a wish to benefit from open communication with political science and other disciplines.

4. Revisiting *Freakonomics*

One of the lessons driven home by study of the previous two cases is that it is necessary to look beyond the published word to come to an understanding of the motives of those at the Chicago School. Failing to consider a larger archive of information has resulted in misunderstanding about aims of Chicago imperialists. In turning our attention to Levitt, we would now like to argue that extant accounts on his work similarly misunderstand Levitt's project. Whereas Fine and Milonakis understand Levitt to be part of a sweeping, century-long project in economics, Vromen portrays Levitt as part of a novel "economics-is-fun" genre. We believe a more promising route to understanding Levitt

would be neither to locate him within a broad, sweeping century-long narrative about neoclassical economics, nor in a historically unprecedented genre, but instead within a specific part the postwar Chicago School.

We are not the first to portray Levitt as part of a new generation of Chicago School. Historians of the Chicago School often view Levitt as a crafter of a new generation of "Chicago Price Theory": Ross Emmett (2008) identifies Levitt as part of the "next generation of Chicago economists" and Steve Medema (2007, p. vii) portrays Levitt a part of the "Chicago price theory tradition…which includes besides Knight, Viner, and Friedman, …Henry Simons, Aaron Director, George Stigler, Gary Becker, Ronald Coase, Richard Posner, [and] Kevin Murphy." The same can be said of Van Overtveldt's journalistic account of the Chicago School, which states (2007, p. 148) that Levitt is "working in the Beckerian tradition of economics." Additionally, there are better reasons for viewing Levitt as a member of the Chicago School.

Levitt received his undergraduate training in economics at Harvard. After a stint as a management consultant at Corporate Decisions, Inc., he enrolled as an economics PhD student at MIT, eventually completing a PhD dissertation on political campaigns under James Poterba. Upon graduation he accepted an assistant professorship at the University of Chicago, a decision that provoked a profound intellectual transformation:

> Having learned my economics at Harvard and M.I.T., I took my first teaching job at Chicago with the very explicit idea that I would spend two or three years in Chicago to get to "know the enemy." After I figured out how they thought, I would escape back to more comfortable surroundings.
>
> Well two things happened that I didn't expect. First, it turned out that it wasn't so easy to learn to think like a Chicago economist. I've been trying to learn for more than a decade and I still have learned only the rudiments. Every day my colleagues teach me something I should know, but don't. Second, I decided that the Chicago approach to economics was the right one for me, even though I am not that good at it.[xxxiii]

Not only does Levitt distinguish Chicago from other approaches to economics, but he also identifies himself as an eager student of the Chicago tradition. Among the various colleagues at Chicago that Levitt credits for teaching him the Chicago approach, Becker stands out. Levitt views Becker as having had the greatest intellectual influence on him: calling Becker his "role model" (Levitt and Dubner 2006, p. 206); finding Becker's

articles to be "controversial, unpopular, and almost certainly correct"; and extolling Becker: "Becker is not only the Michael Jordan of economics, he is the Gordy Howe of economics as well."[xxxiv] Levitt speaks of no one else with the reverence with which he discusses Becker: "I look forward to the next ten years of learning at Gary Becker's knee."[xxxv] Therefore, Levitt not only considers himself to be working within the tradition of Chicago Price Theory, but he also associates himself with a specific version of that tradition.

Levitt's unabashed praise for Becker might be mistaken for mere empty flattery of a powerful colleague were it not for the fact that he has served as director of the Becker Center for Chicago Price Theory (the establishment of which historians of the Chicago School regard as marking the rejuvenation of Chicago Price Theory—see: Medema 2007; Hammond 2010). Since its June 2011 merger with the Milton Friedman Institute to form the Becker Friedman Institute, Levitt has continued to lead the Initiative on Chicago Price Theory.[xxxvi] Levitt's directorship and leadership is significant because it links him to Chicago Price Theory in general, and to Becker's legacy for Chicago in particular:

> This Chicago-style approach, often known as "Price Theory" because of the fundamental role that prices often play, has shed light not only on the most fundamental topics of traditional economics (e.g. consumption, saving, taxation, regulation), but also pioneered the use of economic tools in studying a wide range of other human behavior (e.g. crime and corruption, discrimination, marriage).[xxxvii]

The fact that Coase, Friedman (before his death), and George Shultz were members of the Becker Center's board of directors, and that Becker (along with Kevin Murphy) handed Levitt authority over an institution that "builds upon the rich traditions of Chicago Price Theory," strongly suggests that the previous generation of Chicago scholars have viewed Levitt as an advocate of Chicago Price Theory. Levitt's leadership involves a significant commitment to advancing Chicago Price Theory and utilizing the established institutional structures of his intellectual forbearers to do so: he administers conferences, professional fellowships, postdoctoral research fellowships, graduate scholarships, regular faculty positions, visiting positions, a "summer camp" for price theory, and brown bag workshops. Particularly interesting is the Price Theory Scholars program, which aims at providing PhD students in their third or fourth year of study at other institutions the

Chicago Price Theory perspective, and encourages them to share this perspective with their home institutions.[xxxviii]

Once we acknowledge that Levitt seeks to advance Chicago Price Theory, it is worthwhile to consider whether Levitt gives voice to Chicago ideology. One certainly does find Levitt pronouncing correctly some of Chicago's ideological *shibboleths*:

> "If the recession lingers, as Chicago economists we'd have to start blaming the government for that"[xxxix]; "If there is demand for people who either want financial risk surrounding an event or want to hedge risk, why should the government get in the way?"[xl]; "The idea that tenure protects scholars who are doing politically unpopular work strikes me as ludicrous… Tenure does an outstanding job of protecting scholars who do *no* work or *terrible* work, but is there anything in economics which is high quality but so controversial it would lead to a scholar being fired? Anyway, that is what markets are for. If one institution fires an academic primarily because they don't like his or her politics or approach, there will be other schools happy to make the hire."[xli]

Additionally, there are examples of Levitt explicitly embracing Becker's ideology. When discussing the US health care bill passed in 2010, Levitt deferred to Becker: "For people who are interested in my views on health care…my suggestion is to read Gary Becker's excellent post on the subject. His conclusions are remarkably similar to my own."[xlii] He then amplified: "Markets cannot function when the people who receive the benefits of a good or service are not the ones who are paying for it."

Of course, one might object that examples selected from the blogosphere do not provide evidence of Levitt's esteem for Chicago Price Theory where it counts, in his published work. But one does find traces of it in *Freakonomics*, where Levitt's defining economics as "primarily a set of tools, as opposed to a subject matter" (Levitt and Dubner 2006, p. 12) seems calculated to recall Becker's *Economic Approach to Human Behavior*. Moreover, his coauthor Stephen Dubner has called Levitt's work on real estate agents a "Chicago style paper…a romp in price theory" (p. 208). By his second book, Levitt had taken to declaring (Levitt and Dubner 2009, p. 13), "what Becker was doing was actually freakonomics—marrying the economic approach to a rogue, freakish curiosity—but the word hadn't yet been invented." By identifying his own work as applying "the economic approach," and crediting this approach to Becker, Levitt intended to place himself firmly within the Beckerian tradition.

Levitt revealingly interprets this Beckerian tradition. For example, in his second book, Levitt introduces Gary Becker's work on altruism, which Levitt describes as emphasizing the strategic element behind apparently altruistic behavior. Levitt then proceeds to acquaint the reader with (laboratory) experimental results (dictator and ultimatum games) that appeared to establish that altruism is a real phenomenon. Here Levitt's narrative gets going: Levitt draws on the work of the "hated" experimental economist John List, who devotes himself to counteracting the work of other experimental economists by demonstrating that laboratory altruism was nothing but an artifact of experiment effects. Levitt, by singling out List's work in discussing altruism, reveals his views about the usefulness of other disciplines. While Levitt does mention the work of psychologists, sociologists, and anthropologists in his discussion of altruism, it is only in the narrow context of their work on dictator and ultimatum games, and, crucially, *only as a prelude to showing their work was wrong*. Far from employing an expansive definition of incentives, Levitt wants to hew to a Beckerian definition, and is willing to throw out psychology, sociology, and anthropology (and, arguably, experimental economics and behavioral economics) to do so.[xliii] More generally, this illustration suggests that Levitt's program in Chicago Price Theory promotes interactions between economics and other disciplines of the type likely to minimize the contributions of other disciplines.[xliv]

Our argument that one should view Levitt as operating with a Chicago tradition does not entail that one must deny that *something* has changed. To grasp the features specific to Levitt's program, consider the ideas that Levitt singles out as constituting his *Freakonomics* approach (Levitt and Dubner 2006, pp. 11-12):

- Incentives are the cornerstone of modern life;
- Experts—from criminologists to real-estate agents—use their informational advantage to serve their own agenda;
- The conventional wisdom is often wrong;
- Dramatic events often have distant, even subtle, causes;
- Knowing what to measure and how to measure it makes a complicated world much less so.

At least two things are funny about this list. For example, while "knowing what to measure" is important, Levitt never got around to presenting the reader with a well-

developed general theory about how to arrive at this knowledge. Furthermore, while "distant and subtle causes" might very well be important, the book never shared with the reader a general approach to sorting out the apparent from the real causes. The intended lesson would seem to be that the only way to find the "hidden side of everything" is to find a clever expert.

Examining the activities of another important institution controlled by Levitt, "The Greatest Good," offers a valuable perspective on what Levitt believes a handful of clever experts finding the "hidden side of everything" can accomplish.[xlv] The Greatest Good is not a research institute like the Becker Center, but a consulting firm. It boasts of "the ability not just to analyze data but to do so differently and imaginatively—to look at data in ways others would not," an ability employed in conducting "hundreds of field experiments including dozens for corporate and philanthropic clients, covering aspects as varied as pricing, marketing, hiring, incentives, health care, and wellness." Levitt's profile reports that he has "turned his attention to helping complex organizations make better decisions by better understanding and analyzing their data. [He] has advised Fortune 500 companies, non-profits, and international intelligence services tracking terrorists." A "Creative brief" on the Freakonomics Consulting Group (the former operating name of Greatest Good) demonstrates the strong connection between the activities of this firm and Levitt's own work:

> Dr. Levitt is creating a business-consulting company based on the same principles he uses for all his academic research…Dr. Levitt and his team of economists will use data-drive analysis to show large companies how to make better decisions by using data driven analysis. As a company, Freakonomics Consulting Group is small, smart, and iconoclastic. We're driven by the same principles that are laid out in the book, including: The conventional wisdom is frequently wrong; Dramatic effects often have distant, even subtle causes; Complicated problems can often be solved by simple solutions, as long as the right kind of thinking is applied.[xlvi]

Significantly, this passage reveals how the ideas identified by Levitt as central to *Freakonomics* have naturally lent themselves to commercialization. One important element of Levitt's worldview is that difficult problems are susceptible to "cheap and simple" fixes, a view revealed in his much-derided advocacy of a geoengineering

solution for global warming (Levitt and Dubner 2009, pp. 177-203). The role of the expert is to offer these fixes at bargain rates.

While denying that economics has a natural and proper scope places Levitt within a tradition extending back through Becker to Stigler and Director (as does his avowal of the importance of the economists in constructing the conditions for markets to succeed), his stress on "tools" suggests not merely a set of techniques, but also an expertise that can potentially be sold. Levitt's interest in building "tools" in both senses of the term provides perspective on why when asked what important problems he wanted to work on, Levitt replied: "Tax evasion. Money-laundering. I'd like to put together a set of tools that lets us catch terrorists" (Levitt and Dubner 2006, p. 210). In sum, Levitt's definition of economics as "primarily a set of tools, as opposed to a subject matter" represents a perfect marriage between (Beckerian) Chicago Price Theory and commercialized science.

This union between Chicago Price Theory and commercialized science inevitably changes the public role for economists. Since it is important to the Greater Good business model that it provide its clients "access to cutting-edge methods and techniques that are not yet in general application," economic expertise must be held by the consultant alone, a fact which possibly explains why Levitt's themes remain undeveloped within *Freakonomics*.[xlvii] Levitt's discussion of how he caught teachers cheating in the Chicago public school system provides the best example of such underdevelopment: *Freakonomics* (pp. 23-25) informs its readers that data from one of two classrooms indicates that one of the two teachers was cheating, confronts the reader with a dizzying array of numbers and letters, and then invites the reader to figure out which one was the cheater. Levitt then shares his solution to the problem: an algorithm (a "tool") to catch teachers who had doctored the exam forms to improve their students' scores. Although Levitt does walk the reader through some of the reasoning he used to devise his algorithm, it never approaches a general theory about the role of incentives in education; instead, he embeds this story within a discussion of high-stakes testing, which serves as an example of how incentive design could go badly wrong.[xlviii] The public role of the freakonomist is neither to enlighten the public by clarifying important issues, nor to improve the stature of economics, but instead to convince the public that it is unnecessary for humanity to make hard and painful choices because entrepreneurial experts are on the job. [xlix]

Moreover, not just *anyone* could be trusted to apply the economic approach, only one with the "ability not just to analyze data but to do so differently and imaginatively—look at data in ways others would not." Greatest Good's roster reveals who Levitt believed possessed this special ability. Many of Greatest Good's partners and affiliates hailed from Chicago Law and the Chicago Graduate School of Business; some were featured in *Freakonomics* and *Superfreakonomics*, like John List and Nathan Myhrvold (the advocate for a geoengineering "global cooling" technology). Significantly, Greatest Good has listed as a founding partner the pioneer of the "economic approach" himself: Gary Becker. Becker's partnership with Levitt lends further support to the proposition that Levitt's project represents a new stage in Chicago imperialism.

It is here, where expertise meets markets, that one can spot an important yet unappreciated tension in this new stage of Chicago imperialism. If one considers experts primarily as participants in the marketplace then one should expect experts to serve their own agendas; but how then should we view the claims of Levitt and his band of rogue freakonomists? Levitt's attempt to address the obvious antinomy—"We tried to disabuse audiences of the notion that we are actually experts in anything" (Levitt and Dubner 2009, p. xvi)—might seem a bit disingenuous when read alongside the claims advanced on the Greatest Good website, but does hint at a presumption implicit to Levitt's project. For Levitt, the reason you should trust his freakonomists is because *the market has deemed them trustworthy*. Because people are willing to pay for his expertise (Levitt's work with Chicago schools, intelligence services, even *Freakonomics* itself), the market has ratified Levitt's project ("that is what markets are for"). But if the market is so trustworthy, then the claim to be able to possess a unique form of access that would allow one to improve or enhance its working seems problematic; and if markets necessitate improving or enhancing by experts, then why should one trust them to judge the merit of experts? In short, Levitt urges us simultaneously to trust the judgment of markets and trust (some) economists to ameliorate troublesome markets, and these positions are in tension.[l] To the extent that one considers Levitt's project as representative of a new stage in Chicago imperialism, one reason to take interest in Levitt's work is that it allows us to view how a tension inherent to the project plays out.

5. Conclusion

While previous accounts of Chicago imperialism refer to the presumed intentions of imperialists, they misunderstand the intentions of these figures, and therefore the nature of Chicago imperialism. In particular, we have seen that Chicago imperialists did not develop their approaches merely for the purpose of improving the standing of the economics discipline or to find interesting new topics. They sought to respond to what they regarded as pernicious ideas in other disciplines and to change the policy approach of the state. To do so, Director and Stigler constructed a variety of approaches that diverged in important ways from the approaches of the two pillars of Chicago economics in the 1930s, Frank Knight and Jacob Viner. While we have focused only on the activities of Chicago imperialists, one can draw more general lessons for all three positions on economics imperialism.

Our argument leads us to disagree with position (1), that economics imperialism is a fiction: Director and Stigler (and arguably other economists as well) undertook sustained efforts to colonize law, political science, and possibly other disciplines, *and said so*. Because there exists evidence that economists did seek to colonize other disciplines, arguments for rejecting using the term "economics imperialism" on this basis are flawed.

It also leads us to raise serious questions about position (2), that economics imperialism was part of the natural orientation of neoclassical economics, at least with respect to Chicago neoclassicals. At Chicago, imperialism was born of the belief that the classical liberalism of the previous generation of Chicago scholars was not up to the task of counteracting pernicious ideas in other disciplines. This previous generation tended to be skeptical of applying economic methods to noneconomic topics and of attempts to shape public policy. If economics imperialism was part of the natural orientation of neoclassical economics, one must explain why it took so long for this natural orientation to reveal itself, at least in the Chicago case.

Our research also raises questions about position (3), because transformation of economics in response to encounters with other disciplines does not necessarily entail mutually beneficial communication between disciplines. Whereas one might argue that the revisions in Chicago price theory undertaken by Chicago imperialists provide evidence of successful communication between disciplines, a fuller accounting of all

evidence, including the archival record, leads us to conclude that Chicago imperialism sought to displace the methods indigenous to target disciplines.

The activities of Chicago imperialists reveal the benefits of developing a comprehensive understanding of economics imperialism, along the lines of that offered by Uskali Mäki (Mäki 2009; Mäki and Marchionni 2011). Mäki identifies three forms of economics imperialism. First is imperialism of *scope*, which pertains only to the activity of seeking explanatory unification across disciplines. Second is imperialism of *style*, which pertains to the rhetorical practices and techniques of research. Third is imperialism of *standing*, which aims at displacing the intellectual and ultimately the political standing of another approach. To use Mäki's terms, Chicago neoliberals practiced not only imperialism of *scope*, but also the more objectionable imperialisms of *style* and *standing*.[li] As Mäki notes, these forms often go together; it is the latter upon which this paper has focused. Training one's focus on only the scope of the imperialists' analyses leads one to miss the point of some of the most significant aspects of imperialistic activities.

Finally, the previous analysis suggests that there are benefits to heeding Davis's recommendation to "apply history to philosophy," by using archival evidence to complement methodological studies of more recent developments in economics. While we do not deny the existence of some praiseworthy cases of communication between the members of the economics profession and other disciplines, one should not necessarily attribute changes to economic theory (for example, the innovations of Levitt) to this form of communication: it may turn out that the reports of the decline of economics imperialism have been greatly exaggerated.

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Notes

i. GSRL Box 19, File: Economics—The Imperial Science? Reproduced with permission from the Department of Special Collections, University of Chicago.
ii. Reactions to these events include Davis (2012), Fine (2002), Fine and Milonakis (2009), Frey and Benz (2004), Mäki (2009), Mäki and Marchionni (2011), and Vromen (2009). While not all of these pieces are "in" economic methodology (i.e., the work of Ben Fine), all have influenced the discussion in economic methodology, a case we will make presently.
iii. Vromen (2011), for example, makes the illuminating argument that Chicago economists resorting to biological concepts were not motivated by a wish to communicate with biology.
iv. One might include Bruno Frey as a proponent of this intermediate position: "The relationship between economics and psychology is characterized by a phase of economic[s] imperialism and psychological inspiration" (Frey and Benz 2004, p. 78).
v. More precisely, Davis's position is that "imperialism" has existed, but "economics imperialism" has not: "[P]articular episodes of economics-type imperialism associated with a particular economics research program (such as the Chicago School) cannot be labeled 'economics imperialism,' since 'economics' could be inhabited by other research programs uninterested in and perhaps hostile to this particular economics research program's imperialism" (Davis 2012, p. 212).
vi. We have documented in detail the rise of Chicago neoliberalism elsewhere. See Van Horn and Mirowski (2009) and Nik-Khah (2011a).
vii. For details, see Caldwell (2007, pp. 18-23).
viii. For more details about the relationship between Simons and Hayek, see Van Horn (2009).
ix. Simons, for example, referred to the Study as the "Hayek Project" (SPRL, September 4, 1945, box 8, file 9). For biographical information on Director, see Van Horn (2010).
x. For a detailed look at the intellectual and political relationship of Hayek and Director, see Van Horn (2013 forthcoming).
xi. For the details of how this project finally came to fruition, see Van Horn and Mirowski (2009).
xii. 'Chicago University to Scan Free Market', 1946, *The New York Times*, November, 2, p. 31. For additional evidence of the desire to exert political pressure, see TSPR, May 23, 1946, box 39 (addenda), folder: Free Market Study.
xiii. The effort to reconstitute liberalism at Chicago was one part of a transnational effort to reformulate liberalism in connection with the Mont Pelerin Society. See Van Horn and Mirowski (2009) and Nik-Khah (2011a).
xiv. See Van Horn (2009) for an archival based account of Director's MPS address.
xv. For a detailed look at how Viner's attitude toward concentrations of power was very similar to Director's attitude at this junctures, see Van Horn (2011).
xvi. The remainder of paragraph is based on Stigler (1982, p. 170), and Burgin (2007).
xvii. VPML, letter, June 9, 1947, Viner to Hayek, Box 39, Folder: Hayek, F.
xviii. For a detailed look at this position shift, see Van Horn (2009) and Van Horn and Klaes (2011).
xix. For more on the Antitrust Project, see Van Horn (2009) and Van Horn and Klaes (2011b).
xx. See Director ([1953] 1964).

xxi. For example, Bork maintained that "[vertical mergers added] nothing to monopoly power" (1954, p. 195), and his claim assumed that increased concentration resulting from a vertical merger was necessarily benign.
xxii. A tying arrangement is one form of vertical integration. Tying takes place when a seller stipulates that a buyer must purchase the "tied" product in order to obtain the "tying" product, the one the buyer wants. A tying arrangement is almost always imposed by the seller on the buyer. For example, if retailer, a small business owner, runs a fishing boat business and if a manufacturer that commands monopoly in the fishing boat motor market demands that the retailer must purchase the manufacturer's motor oil in order to purchase its motors, then the manufacturer has tied its fishing motors (tying product) to its oil (tied product).
xxiii. Hayek, as Director himself pointed, attacked the views of a number of non-economists in *Road*. In Director's words: "[R]eaders of *The Road to Serfdom* will be somewhat surprised by the selection of individual examples from among the pseudo-economists and no economists at all" (1945, p. 175).
xxiv. For a detailed look at the rise of Chicago law and economics, see Teles (2008).
xxv. For an example of this view, see Posner (1979).
xxvi. Letter of Stigler to Walgreen, December 28, 1959 (GSRL Box 13, File: Walgreen Correspondence)
xxvii. In this book, Richard Posner portrayed his own work on politics as closely related to imperialistic projects undertaken by others at Chicago: "With economists devoting increasing attention to the study of nonmarket activities and institutions—including the family, information, and the law—the foundation is now in place for the thoroughgoing and unapologetic application of economic theory to the full range of primitive social institutions" (p. 151).
xxviii. Ten contributions were funded by the CSES, four through the Walgreen Foundation, and three were authored or co-authored by Stigler himself.
xxix. All memo citations discussed in this and the following two paragraphs are taken from GSRL Box 21, File: A Research Institute in Economics.
xxx. "Professor Peltzman's study of the costs of the FDA's restriction and delay of new drugs is both pathbreaking and monumental, and I look forward confidently to the expansion of our knowledge of these costs of nonfeasance in regulation as other scholars follow his example and methods" (Stigler 1973, pp. 14-15).
xxxi. GSRL Box 26, File: Mont Pèlerin Society 10th Anniversary Meeting.
xxxii. Such a justification for imperialism is proffered in (Coase 1978, p. 210). While Stigler did at times speak in the same way, he was clearly motivated by political aims.
xxxiii. Available: http://freakonomics.blogs.nytimes.com/2008/06/23/david-warsh-on-the-new-milton-friedman-institute/ (accessed 4/4/12).
xxxiv. Available: http://www.freakonomics.com/2005/04/ode-to-gary-becker.php (accessed: 11/19/10).
xxxv. 'Honoring Gary Becker', *Capital Ideas*, April 2006, available: http://www.chicagobooth.edu/capideas/apr06/intro.aspx (accessed 11/19/10).
xxxvi. The Initiative on Chicago Price Theory operates in much the same way as it did before the merger. That it would is unsurprising since the Becker Center and the Milton Friedman Institute served complementary objectives, and had interlocking directorates and overlapping memberships (Nik-Khah 2011b).
xxxvii. Available: http://research.chicagobooth.edu/pricetheory/ (accessed 4/4/12).

xxxviii. “The idea for the Scholars Program grew out of Jesse Shapiro’s visit to the University of Chicago in the fall of 2002, during which he participated in the Becker-Murphy price theory class. His exposure to the Chicago environment, and to price theory class in particular, gave Jesse a new perspective on economics that he took back with him to Harvard, where he finished his degree.” See the description of the Price Theory Scholars program, available: http://research.chicagobooth.edu/pricetheory/programs/ptscholars/index.aspx (accessed 4/12/12).

xxxix. Levitt, quoted in Michael Fitzgerald, ‘Chicago Schooled’, *University of Chicago Magazine*, Sep-Oct 2009, available: http://magazine.uchicago.edu/0910/features/chicago_schooled.shtml (accessed 11/19/10).

xl. Available: http://freakonomics.blogs.nytimes.com/2007/05/08/economists-speak-out-on-prediction-markets/ (accessed 5/17/10).

xli. Available: http://freakonomics.blogs.nytimes.com/2007/03/03/lets-just-get-rid-of-tenure/ (accessed 5/17/10).

xlii. Available: http://freakonomics.blogs.nytimes.com/2010/04/05/the-recent-health-care-bill/ (accessed 5/7/10).

xliii. When challenged to account for his definition of incentives, Levitt retorted: “for me (and I think this is the thing that makes me an economist ultimately) I just can’t get away from the idea that people are active decision makers trying to get what they want in a reasonably sophisticated fashion.” ‘Response of Steven Levitt’, available: http://crookedtimber.org/2005/05/23/response/#more-3340 (accessed 5/7/10).

xliv. Furthermore, when viewed in light of his position on experts, Levitt’s discussion of incentives offers a window into how Levitt views other disciplines such as criminology and education studies. Levitt presents himself as a “third person…eager to explore the objective merits of interesting cases” (Levitt and Dubner 2006, p. 13), offering an “honest assessment of data” (p. 11). It is difficult to avoid the impression that Levitt believes experts in other areas to be subjective and dishonest.

xlv. The Greatest Good describes itself as a “unique firm formed with the goal of applying rigorous, cutting-edge data analysis and economic methods to the most salient problems in business and philanthropy.” Available: http://www.greatestgood.com/ (accessed 11/26/10)

xlvi. Creative brief for Freakonomics consulting Group, available: http://www.crowdspring.com/project/1268769_logo-and-stationery-needed-for-new-freakonomics-project/details/ (accessed: 11/26/10).

xlvii. In commercializing an economic expertise that is inaccessible to the public, Levitt has followed a trail blazed by game theorists in the wake of the FCC spectrum auctions (Nik-Khah 2008), but has given it a Chicago twist by stressing Chicago price theory and “natural experiments” over Bayes-Nash game theory.

xlviii. The closest Levitt comes to a general statement about his approach to incentives is, “People respond to incentives, although not necessarily in ways that are predictable or manifest” (Levitt and Dubner 2009, p. xiv), a statement that seems less to provide the reader with the key to solving our problems (say, a general policy science based on understanding incentives) than to persuade the reader that the only way to solve them is to consult with an certain kind of expert.

xlix. We believe this message is an underappreciated reason for why some find Levitt “fun”: while *Freakonomics* and *Superfreakonomics* do address serious matters

(education, terrorism, global warming), he then assures us that we needn't worry about them. Because it issues no call for the public to do anything at all, *Freakonomics* sets a different tone than previous efforts to popularize Chicago Economics, such as *Capitalism and Freedom*, which neither the most enthusiastic admirer nor the staunchest critic would ever think of calling "cute" or "fun."

l. A forthcoming paper by one of the authors (Mirowski and Nik-Khah 2012) argues that wavering between the 'trusting markets' and 'trusting economists' positions is an attribute of the contemporary economics profession.

li. "Imperialisms of style and standing challenge the deeper values, social status, traditions, conventions, resources and life styles of researchers whose domains or disciplines are entered by the imperialists" (Mäki and Marchionni 2011, p. 648).

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SPRL Henry Simons Papers, Regenstein Library, University of Chicago

GSRL George J. Stigler Papers, Regenstein Library, University of Chicago

TSPR Theodore Schultz Papers, Regenstein Library, University of Chicago.

VPML Jacob Viner Papers, Mudd Library, Princeton University.

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